

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **June 11, 2002**

AGENDA ITEM NO.: **10**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE: **Establishing a \$15,000,000 Revolving Line of Credit**

RECOMMENDATION: City Council is requested to take the following actions to establish a \$15,000,000 Revolving Line of Credit:

- (a) Conduct a Public Hearing in accordance with Sec. 15.1-227.8 (A) of the Code of Virginia for the issuance of \$15,000,000 General Obligation Bond Anticipation Notes.
- (b) Adopt a resolution authorizing the issuance of \$15,000,000 General Obligation Bond Anticipation Notes.
- (c) Adopt a resolution authorizing the City Manager to execute appropriate documents with Sun Trust Bank to establish a \$15,000,000 Revolving Line of Credit.

SUMMARY:

In 1997, the City established a 5-year, \$15,000,000 Revolving Line of Credit (RLOC) which expired on January 31, 2002.

The revolving line of credit was initially designed to provide interim financing to meet the accelerated construction schedule for water and sewer improvements necessary to serve the Lynchpin Industrial Park. However, the line of credit mechanism was expanded to provide for timely construction of other general governmental and school capital improvements. A continued need is expected for the provision of interim financing to support large public improvement projects prior to the receipt of bond proceeds. An example of an upcoming project that may require the use of interim funding is the renovation of E.C. Glass High School. The LOC is to provide bridge funding for capital needs only, and will not be drawn upon for any operating expenses of the City.

In March 2002 the City solicited proposals from financial institutions to establish a new 5-year \$15,000,000 Revolving Line of Credit. The City received proposals from Wachovia Bank and SunTrust Bank. After reviewing the proposals, SunTrust Bank offers the lowest cost financing for the revolving line of credit. In today's market the SunTrust interest rate would be 1.71% compared to Wachovia Bank at 1.824%. While changes in the financial markets could change the rate of interest paid, Sun Trust will maintain the interest rate formula contained in the proposal for the full term of the agreement. The interest rate is reset on a monthly basis.

PRIOR ACTION(S): March 2, 2002: Finance and Planning Committee
June 4, 2002: Finance and Planning Committee

FISCAL IMPACT: Interim interest expense will be funded through the operating budget of the fund for which interim financing is incurred. Retirement of principal debt on the line of credit will be reflected in annual debt service payments in future operating budgets that are programmed within the debt management policies.

CONTACT(S): Michael W. Hill 847-1595 ext. 293

ATTACHMENT(S): Resolution authorizing the issuance of \$15,000,000 General Obligation Public Improvement Bond Anticipation Notes

REVIEWED BY:

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED FIFTEEN MILLION DOLLARS (\$15,000,000) PRINCIPAL AMOUNT OF BONDS OF THE CITY OF LYNCHBURG, VIRGINIA, FOR THE PURPOSE OF PROVIDING FUNDS TO PAY THE COST OF VARIOUS PUBLIC IMPROVEMENT PROJECTS OF AND FOR SUCH CITY AND AUTHORIZING AND PROVIDING WITH RESPECT TO THE ISSUANCE AND SALE OF A LIKE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE AND SALE OF SUCH BONDS

WHEREAS, in the judgment of the Council of the City of Lynchburg, Virginia (the "City"), it is necessary and expedient to authorize the issuance and sale of not to exceed Fifteen Million Dollars (\$15,000,000) of Bonds of the City for the purpose of providing funds to pay the cost of various public improvement projects of and for the City and to authorize the issuance and sale of a like principal amount of General Obligation Public Improvement Bond Anticipation Notes in anticipation of the issuance and sale of such Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA:

SECTION 1. Pursuant to Chapter 26 of Title 15.2 of the Code of Virginia, 1950 (the same being the Public Finance Act of 1991), for the purpose of providing funds to pay the cost of various public improvement projects of and for the City set forth in Section 8 hereof, there are authorized to be issued not to exceed Fifteen Million Dollars (\$15,000,000) principal amount of bonds of the City (the "Bonds"). The form, denomination and other details of the Bonds, including the subsection of Article VII, Section 10(a) of the Constitution of Virginia pursuant to which the Bonds shall be issued if the Bonds shall not be secured by the full faith and credit of the City, the security pledged to the payment of the Bonds and any covenants pertaining to the status of the interest on the Bonds for purposes of federal and Commonwealth of Virginia income taxation, shall be provided for by the subsequent resolution of this Council.

SECTION 2. (a) In anticipation of the issuance and sale of the Bonds authorized for issuance pursuant to Section 1 hereof, there are authorized to be issued and sold not to exceed Fifteen Million Dollars (\$15,000,000) principal amount of general obligation public improvement bond anticipation notes of the City to be designated "City of Lynchburg, Virginia, General Obligation Public Improvement Bond Anticipation Notes" (the "Notes"). The Notes shall mature and be payable within five (5) years of the date of their initial issuance. The issuance and details of the Notes shall be governed by the provisions

of Section 15.2-2628 of the Code of Virginia, 1950. The Bonds in anticipation of which the Notes are issued pursuant to this Section 2(a) may be issued and sold in accordance with the provisions of this Resolution at any time or from time to time; *provided* that in any event such Bonds shall be issued and sold not later than five (5) years from the date of the original issuance of the first Notes issued in anticipation of such Bonds.

(b) The Notes shall be issued in fully registered form and the Notes of a given series shall be numbered from R-1 upwards in order of issuance. There is hereby delegated to the City Manager of the City the authority, without further action of this Council, to fix the denomination or denominations of the Notes, to sell the Notes at competitive or negotiated sale at such price plus accrued interest and on such other terms and conditions as shall be determined by the City Manager. There is hereby further delegated to the City Manager the authority to determine, in accordance with and subject to the provisions of this Resolution and without further action of this Council: the date or dates of the Notes; the rate of interest per annum to be borne by the Notes or the method for calculating the rate of interest to be borne by the Notes from time to time, *provided* that in no event shall the Notes bear interest at a rate in excess of 4% per annum; the basis of computing interest on the Notes (*e.g.*, a 360-day year comprised of twelve 30-day months or a 365- or 366-day year and actual days elapsed or such other basis as shall be determined by the City Manager); the interest payment dates thereof; the maturity date or dates thereof; the amount of principal maturing on each maturity date; the place or places of payment thereof and the paying agent or paying agents therefor; the place or places of registration, exchange or transfer thereof and the registrar therefor; and whether or not the Notes shall be subject to redemption prior to their stated maturity or maturities and, if the Notes shall be subject to redemption, the premiums, if any, payable upon such redemption; *provided* that no such premium shall exceed 3% of the principal amount of the Notes, and the respective periods in which such premiums are payable and the method and timing for giving notices of redemption of the Notes.

(c) The City Manager is hereby authorized, without further action of this Council, to execute and deliver a revolving credit facility or revolving loan agreement providing for the issuance of the Notes as evidence of advances made thereunder in a principal amount not to exceed the principal amount of the Notes authorized for issuance pursuant to Section 2(a) hereof and is hereby further authorized to cause to be paid on behalf of the City the fees and expenses payable to the issuer of such revolving credit facility or revolving loan agreement pursuant to the terms thereof. All actions taken by officials, employees, agents and attorneys of the City with respect to the preparation, solicitation and receipt of proposals for a revolving credit facility or revolving loan agreement providing for the issuance of the Notes as evidences of advances made thereunder prior to the date hereof are hereby ratified and confirmed.

SECTION 3. (a) The Notes shall be executed, for and on behalf of the City, by the manual or facsimile signature of the Mayor of the City and shall have an impression of the corporate seal of the City or a facsimile thereof embossed or imprinted thereon, attested by the manual or facsimile signature of the Clerk of Council of the City. The certificate of authentication on the Notes shall be executed by the Registrar for the Notes designated by the City Manager.

(b) The execution and authentication of the Notes in the manner above set forth is adopted as a due and sufficient execution and authentication of the Notes.

SECTION 4. (a) Both the principal of and premium, if any, and interest on the Notes shall be payable in such coin or currency of the United States of America as at the respective dates of payment thereof is legal tender for public and private debts.

(b) Interest on the Notes shall be payable by check mailed by the Registrar to the registered owners of such Notes at their respective address as such addresses appear on the books of registry kept pursuant to the provisions of this Section 4. Principal of and premium, if any, on the Notes shall be payable on presentation and surrender thereof at the office of the Registrar.

(c) At all times during which any Note of any series remains outstanding and unpaid, the Registrar for such series shall keep or cause to be kept at its office books of registry for the registration, exchange and transfer of Notes of such series. Upon presentation at its office for such purpose the Registrar, under such reasonable regulations as it may prescribe, shall register, exchange, transfer, or cause to be registered, exchanged or transferred, on the books of registry the Notes as hereinbefore set forth.

(d) The books of registry shall at all times be open for inspection by the City or any duly authorized officer thereof.

(e) Any Note may be exchanged at the office of the Registrar for such series of Notes for a like aggregate principal amount of such Notes in other authorized principal sums of the same series, interest rate and maturity.

(f) Any Note of any series may, in accordance with its terms, be transferred upon the books of registry by the person in whose name it is registered, in person or by his duly authorized agent, upon surrender of such Notes to the Registrar for such series for cancellation, accompanied by a written instrument of transfer duly executed by the registered owner in person or his duly authorized agent, in form satisfactory to the Registrar.

(g) All transfers or exchanges pursuant to this Section 4 shall be made without expense to the registered owner of such Notes, except as otherwise herein provided, and except that the Registrar for such series of Notes shall require the payment by the registered owner of the Note requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange. All Notes surrendered pursuant to this Section 4 shall be cancelled.

SECTION 5. The full faith and credit of the City are irrevocably pledged to the punctual payment of the principal of and premium, if any, and interest on the Notes as the same become due. In each year while the Notes, or any of them, are outstanding and unpaid, the Council of the City is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Notes to the extent such principal, premium, if any, and interest shall not be paid from the proceeds of the Bonds of the City in anticipation of which the Notes are issued or from other funds of the City lawfully available and appropriated for such purpose.

SECTION 6. CUSIP identification numbers may be printed on the Notes, but no such number shall constitute a part of the contract evidenced by the particular Note upon which it is printed and no liability shall attach to the City or any officer or agent thereof (including any paying agent for the Notes) by reason of such numbers or any use made thereof (including any use thereof made by the City, any such officer or any such agent) or by reason of any inaccuracy, error or omission with respect thereto or in such use. All expenses in relation to the printing of such numbers on the Notes shall be paid by the City including the CUSIP Service Bureau charge for the assignment of such numbers.

SECTION 7. The City covenants and agrees that it shall comply with the provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 and the applicable Treasury Regulations promulgated thereunder so long as any Note is outstanding.

SECTION 8. The proceeds of the sale of the Bonds and the Notes in anticipation of which the Bonds are issued shall be applied to the payment of the cost of the following public improvement projects of and for the City in substantially the following respective amounts:

<u>Purpose</u>	<u>Amount</u>
Public School Improvement Projects	\$ 7,600,000
Public Buildings, Streets and Bridges and General Municipal Improvement Projects	3,700,000 Water and
Sewer Improvement Projects	<u>3,700,000</u>
	\$15,000,000

If any project set forth above shall require less than the entire respective amount so set forth, the difference may be applied to any of the other projects so set forth.

SECTION 9. The Notes shall be in the form approved by the City Manager.

SECTION 10. The City Attorney of the City is directed to file a copy of this Resolution, certified by the Clerk of Council of the City to be a true and correct copy hereof, with the Circuit Court of the City in accordance with Section 15.2-2607 of the Code of Virginia, 1950.

SECTION 11. All ordinances, resolutions and proceedings in conflict herewith are, to the extent of such conflict, repealed.

SECTION 12. This Resolution shall take effect upon its adoption.

Adopted:

Certified:

Clerk of Council

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Resolution

- A. Consideration of adopting the attached resolution
- B. BE IT RESOLVED that the City Manager is hereby authorized to execute the appropriate agreements with SunTrust Bank to establish a \$15,000,000 Revolving Line of Credit.

Adopted:

Certified:

Clerk of Council

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